POLICY ALERT

Date: March 18, 2011
To: Child and Adult Care Food Program Child Care Centers (CACFP CCC) Contractors
Subject: Performance Bond
Effective Date: January 11, 2011

APPLIES TO SPONSORING ORGANIZATIONS ONLY

Purpose

ADD CACFP CCC Handbook Items:

- 2150, Performance Bond
- 2150.1, Amount of a Performance Bond
- 2150.2, Relief from the Bonding Requirement
- 2150.3, Cost of Obtaining a Performance Bond
- 11700, Performance Bond Form
- 11710, Performance Bond Instructions
- 11720, Performance Bond Letter

TDA is implementing a Performance Bond requirement for all new non-governmental sponsoring organizations.

Implementation

January 11, 2011

Definition

Sponsoring Organization (Sponsor) – A public or nonprofit private organization that is entirely responsible for the administration of the food program in:

a) One or more day care homes;
b) A child care center, emergency shelter, at-risk afterschool snack program care center, outside-school-hours care center, or adult day care center, which is a legally distinct entity (i.e., unaffiliated) from the Sponsoring Organization;
c) Two or more child care centers, emergency shelters, at-risk afterschool snack program care centers, outside-school-hours care centers or adult day care centers; or
d) Any combination of child care centers, emergency shelters, at-risk afterschool snack program care centers, outside-school-hours care centers, adult day care centers and day care homes.

The term sponsoring organization also includes an organization that is entirely responsible for administration of the Program in any combination of two or more child care centers, at-risk afterschool care centers, adult day care centers or outside-school-hours care centers, which meet the definition of For-profit center and are of the same legal entity as the sponsoring organization.

continued

This Policy Remains in Effect Until Further Notice
**Procedure continued**

### Add the following to your CACFP CCC Handbook:

**2150 Performance Bond**

Non-governmental organizations with fewer than three years of successful administrative and financial history applying as a *sponsoring* organization, must submit a performance bond with their application to insure against misuse of federal funding. The bond must be obtained from an approved surety company listed in the most recent publication of the U.S. Treasury Department’s Circular 570.

A letter explaining the bonding requirement and a standard bond form are provided in Section 11000, Resources in the CACFP CCC Handbook. You must present the letter to the surety company and complete the bond form following the attached instructions.

If you are subject to the bonding requirement, you must submit a new performance bond with your initial application, or a Continuation Certification, with your renewal application and update application until relief is granted from this requirement.

#### 2150.1 Amount of a Performance Bond

The amount of the performance bond will be determined by the sponsor’s anticipated enrollment and the sum of the following formula for each meal type you intend to claim:

\[(\text{Total enrollment}) \times (\text{Current Free Reimbursement Rate for Meal Type}) \times 90\]

You must increase the bond amount based on the following:

- Enrollment or reimbursement increases by 50% of the original anticipated enrollment or reimbursement;
- Each time the enrollment or reimbursement increases by 50% of the actual participation or reimbursement from the time the bond was last increased.

The increase in the bond amount must be made and submitted to TDA within 45 days of the increase in enrollment or reimbursement.

You may request a decrease in the bond amount based on a decrease in enrollment or reimbursement by submitting a written request to TDA.

#### 2150.2 Relief from the Bonding Requirement

A sponsor may request relief from the bonding requirement by submitting a written request and documentation that demonstrates that it has accumulated three years of successful administrative and financial history within the seven years preceding the request.

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Your successful participation in the CACFP will be considered in determining the approval or denial of your request for relief. You may make the written request for relief from the bonding requirement when you submit your application to renew or update your participation.

**NOTE:** Your request for relief from the bonding requirement will be denied if you have an outstanding financial obligation to TDA.

### 2150.3 Cost of Obtaining a Performance Bond

Program funds cannot be used to finance costs incurred by a potential sponsor prior to participation in the CACFP. Therefore, the cost of acquiring a performance bond for the first time for a potential sponsor is not an allowable program cost. However, the costs of maintaining and renewing a bond required for continued participation in the CACFP by a current sponsor is allowable.

11700 Performance Bond Form

See the attached Performance Bond Form. This bond will be placed in your handbook during the next handbook revision. You may copy and print as needed.

11710 Performance Bond Instructions

See the attached Performance Bond Instructions. These instructions will be placed in your handbook during the next handbook revision. You may copy and print as needed.

11720 Performance Bond Letter

See the attached Performance Bond Letter. This letter will be placed in your handbook during the next handbook revision. You may copy and print as needed.

### Contact

If you have any questions please contact your Community Operations office.

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**ATTACHMENTS**